

Weekly Market Pulse

Week ending March 10, 2023



Market developments

Equities: The S&P500 finished the week down over -4.5%, the Nasdaq down -4.7% and the TSX around -4% as the turmoil caused by SVB Financial Group created concern within the banking sector and led to a spike in market volatility as the VIX hit 29 on Friday. Investors will shift their focus to the inflation data next week as they weigh the probability of a 50bps rate hike in March vs previous estimates of 25bps.

Fixed income: The bond market rallied on Friday as traders are now expecting a 25bps rate hike in March and lowered the overall expectations for peak rates by nearly 40bps. This move was driven by the jobs numbers on Friday that showed a tick up in the unemployment rate in the U.S. and slower than expected wage growth. The US 10yr closed more than 25bps lower at 3.68% and the Canadian 10yr was also down, closing at 2.99%

Commodities: Oil closed higher on Friday after better-than-expected U.S. jobs data, but still finished the week down -4%. Expectations of rising interest rates in the U.S. and Europe clouded the outlook for growth and pressured oil earlier in the week. Like other assets, next week's inflation will be crucial as the need for higher rates will increase the likelihood of a recession and potentially impact the demand for oil.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	19,759.37	-3.99%	-4.14%	-0.94%	1.93%
S&P 500	3,861.59	-4.55%	-5.60%	-1.85%	0.58%
NASDAQ	11,138.89	-4.71%	-4.94%	1.22%	6.42%
DAX	15,427.97	-0.97%	0.78%	7.36%	10.80%
NIKKEI 225	28,143.97	0.78%	1.71%	0.87%	7.85%
Shanghai Composite	3,230.08	-2.95%	-0.94%	0.72%	4.56%
Fixed Income (Performance in %)					
Canada 10-Year Yield	2.99	-0.35	-0.16	0.11	-0.31
US 10-Year Yield	3.69	-0.26	-0.04	0.11	-0.18
German 10-Year Yield	2.51	-0.21	0.14	0.58	-0.06
US High Yield Spread	4.78	0.61	0.36	0.16	-0.02
Commodities (\$USD)					
Oil	76.53	-3.95%	-4.00%	7.76%	-4.65%
Gold	1867.85	0.61%	0.12%	3.92%	2.40%
Copper	402.00	-1.42%	0.09%	3.72%	5.50%
Currencies (\$USD)					
DXY	104.62	0.09%	0.95%	-0.18%	1.06%
Loonie	1.3832	1.72%	3.66%	1.37%	2.05%
Euro	0.94	-0.03%	0.37%	-0.92%	0.63%
Yen	134.93	-0.69%	2.72%	-1.19%	2.91%

As of March 10, 2023

Macro developments

Canada – Canadian unemployment rate held at 5.0%

The Canadian unemployment rate held at 5% in February, slightly below market forecasts of 5.1%. The result signaled continued tightness in the labour market and challenged the Bank of Canada's expectations that weak economic growth would pressure the labour market.

U.S. – The U.S. creates more jobs than expected, average hourly earnings came in lower than expected and the unemployment rate was 3.6% compared to expectations of 3.4%

The U.S. economy created 311K jobs last month, ahead of market forecasts of 250K. The reading continues to point to a tight labour market as it is well above the ~100K target. We saw notable increases in hospitality, retail trade and government jobs.

On the more positive side, average hourly earnings increased by 4.6% YoY and although it's up from 4.4% the prior month, it was below market expectations of 4.7%. The U.S. unemployment rate also moved up to 3.6%, above market expectations and up from the 3.4% low we saw in January.

International – Eurozone retail sales miss expectations, U.K. GDP expands by 0.3% and China inflation slows to 1%

Eurozone retail sales increased by 0.3% compared to January, below expectations of 1%. Sales were up for food and drinks, as well as non-food goods. On the other hand, fuel sales declined sharply by -1.5%. On a yearly basis, they declined 2.3%. the fourth consecutive month of contraction. The British economy expanded by 0.3% MoM in January, bouncing back from a -0.5% contraction a month earlier. The services grew by 0.5%, led by education and we saw a drop in pharmaceutical products and construction. GDP was flat from November through January.

China's inflation rate dropped to 1% in February, from 2.1% a month earlier and well below market forecasts of 1.9%. This was the weakest print since February of last year as both food and non-food prices eased. The slowdown in pork prices led to lowest food inflation in nine months. On the other hand, health and clothing prices rose faster.

Quick look ahead

Date	Country / Region	Event	Survey	Prior
14-Mar-23	China	Retail Sales YTD YoY	Feb 3.50%	-0.20%
14-Mar-23	China	Surveyed Jobless Rate	Feb 5.30%	5.50%
14-Mar-23	United Kingdom	ILO Unemployment Rate 3Mths	Jan 3.80%	3.70%
14-Mar-23	United Kingdom	Average Weekly Earnings 3M/YoY	Jan 5.70%	5.90%
14-Mar-23	United Kingdom	Employment Change 3M/3M	Jan 53k	74k
14-Mar-23	United States	CPI MoM	Feb 0.40%	0.50%
14-Mar-23	United States	CPI YoY	Feb 6.00%	6.40%
14-Mar-23	United States	CPI Ex Food and Energy MoM	Feb 0.40%	0.40%
14-Mar-23	United States	CPI Ex Food and Energy YoY	Feb 5.50%	5.60%
14-Mar-23	United States	Real Avg Weekly Earnings YoY	Feb --	-1.90%
14-Mar-23	United States	Real Avg Hourly Earning YoY	Feb --	-1.90%
15-Mar-23	United States	Retail Sales Advance MoM	Feb -0.40%	3.00%
15-Mar-23	United States	Retail Sales Ex Auto MoM	Feb -0.10%	2.30%
15-Mar-23	United States	Retail Sales Ex Auto and Gas	Feb -0.30%	2.60%
15-Mar-23	United States	Retail Sales Control Group	Feb -0.30%	1.70%
16-Mar-23	Eurozone	ECB Main Refinancing Rate	16-Mar 3.50%	3.00%

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